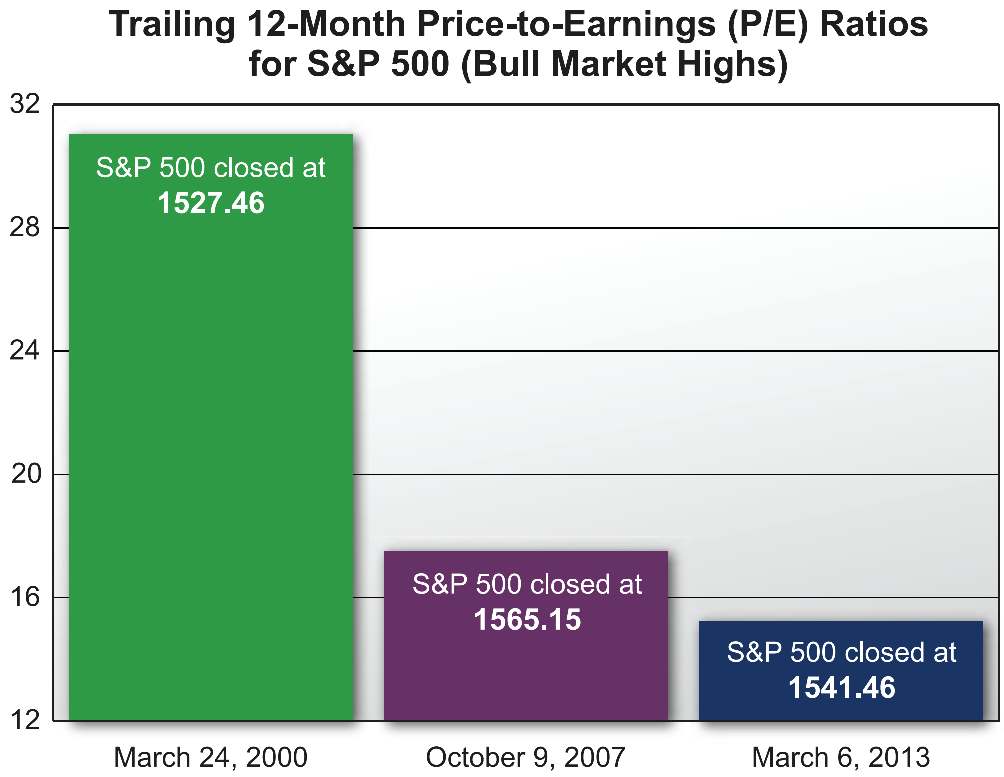
The S&P 500 Is Not Expensive Based On Historical Standards



Source: Bloomberg.

View from the Observation Deck

1. Historically speaking, excluding the current bull market (which is closing in on its mark), the S&P 500 has never failed to fully recover the losses sustained in a bear market.
2. In fact, it has always recovered and then gone on to set a new price-value high. The high in 2007 was above that of 2000 (see chart).
3. While 1565.15 is not much higher than 1527.46, the S&P 500 was performing quite well in 2007, up 11.93% on a total return basis, prior to getting derailed by the subprime mortgage meltdown.
4. The current bull market turns four years (48 months) old after tomorrow's close. The average recovery for a bear market is 39 months, according to InvesTech Research.
5. The trailing 12-month P/E for the S&P 500 was 15.25 on 3/6/13, well below the 31.05 P/E at the peak in 2000 and 17.53 peak in 2007.
6. Its forward-looking P/E estimate is 13.95 based on Bloomberg's $110.68 earnings estimate for the index. The S&P 500's estimated earnings in 2012 was a record-high $96.99, according to S&P.
7. S&P was forecasting calendar year earnings of $111.20 for 2013 and $125.14 for 2014, as of 2/27/13.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. Past performance is no guarantee of future results.